

RJREYNOLDS

Tobacco Company



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TO: ALL RSM'S, ROU'S
(ROU'S: FOR DISTRIBUTION TO ALL AFFECTED MGR, REPS)

SUBJECT: BUDGET IMPACT - K-MART RESETS

As you know, we are in the midst of a K-Mart reset which will effect virtually every K-Mart store throughout the country over the next couple of months. To support this reset, we have ordered PFD Units and Springfed Package Fixture parts to various warehouses throughout the U.S. As some of you may have noticed, these fixtures have negatively impacted your merchandising budget, if in fact one of these fixtures storage areas falls within your region/division boundaries. Please note that upon completion of the re-merchandising program, our plans are to adjust region/division budgets based on the number of K-Mart stores which actually fall under your accountabilities.

I hope this clears up any questions you may have had relative to the budgetary issue. Please feel free to contact me should you have any questions.

Sincerely

Dennis

Dennis R. Bellinger

DRB/sab
km-reset

cc: John Drew
Rich Pettorini
All Regional Managers

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